

Message Text

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ACTION EUR-12

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BRUSSELS ALSO FOR USEEC

E.O. 11652: N/A

TAGS: ECIN, EEC, YU, GW

SUBJECT: EC-YUGOSLAV RELATIONS: FRG PERSPECTIVE

REF: A) BRUSSELS 14778, B) BRUSSELS 14240

1. SUMMARY. THE EC PERM REPS WILL BE MEETING IN BRUSSELS NEXT WEEK TO DETERMINE WHETHER THERE EXISTS WITHIN THE COMMUNITY AN ACCEPTANCE IN PRINCIPLE FOR CONCLUDING A PREFERENTIAL AGREEMENT WITH YUGOSLAVIA (REF. B). FRG WORKING LEVEL OFFICIALS ACCEPT THE PRINCIPLE AND FURTHERMORE HOPE THE AGREEMENT CAN BE CONCLUDED DURING THE GERMAN PRESIDENCY. END SUMMARY.

2. EMBOFF MET WITH FRG FONOFF OFFICIAL TO REVIEW FRG ATTITUDES ON EC/YUGOSLAV RELATIONS. SOURCE SUMMARIZED CURRENT STATUS, I.E. YUGOSLAV DESIRE FOR A PREFERENTIAL AGREEMENT THAT IS NOT CALLED A PREFERENTIAL AGREEMENT. PURSUANT TO THE JULY COUNCIL MEETING, THE PERM REPS WILL MEET NEXT WEEK
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TO SETTLE THE BASIC QUESTION OF WHETHER MEMBER STATES ACCEPT THIS CONCEPT.

3. WITHIN THE GERMAN GOVERNMENT, THE WORKING LEVEL IS FAVORABLE TO THE PREFERENTIAL CONCEPT. THE POLITICAL DECISION-MAKING PROCESS WILL BEGIN SEPTEMBER 8 WHEN THE GERMAN UNDERSECRETARY'S

COMMITTEE WILL DISCUSS THE ISSUE.

4. SOURCE ELABORATED ON SOME OF THE YUGOSLAV REQUESTS. IN THE TRADE FIELD, THE YUGOSLAVS WANT ACCESS INTO THE EC FOR INDUSTRIAL GOODS. BECAUSE YUGOSLAVIA IS ALREADY A HIGH GSP BENEFICIARY, SUCH AN AGREEMENT WILL NOT HAVE MUCH EFFECT IN THE SHORT TERM. IN THE LONG TERM HOWEVER, WHEN YUGOSLAVIA MIGHT NOT BE ELIGIBLE FOR GSP, AN AGREEMENT WOULD ASSURE THEM OF MARKET ACCESS.

5. IN THE FINANCIAL AREA, SOURCE SEES SOME PROBLEMS WITH INCREASED YUGOSLAV ACCESS TO THE EIB. WHILE THE INSTITUTIONAL PROBLEMS COULD PROBABLY BE OVERCOME, AND THERE ARE SUFFICIENT FUNDS, THE GREATEST FEAR IS THE PRECEDENT WHICH WOULD BE SET. THE CURRENT YUGOSLAV BORROWING FROM EIB WAS SUPPOSED TO BE A UNIQUE CASE. SOURCE MENTIONED THAT ASEAN COUNTRIES MAY BE ASKING FOR ACCESS TO EIB FUNDS.

6. THE LARGEST STUMBLING BLOCK FOR THE FRG IS THE LABOR ISSUE. THE LABOR MINISTRY FEELS THERE IS NO LEGAL BASIS FOR EC ACTION IN THIS AREA.

7. WHILE THERE REMAIN MANY DETAILS TO BE WORKED OUT, SOURCE WAS HOPEFUL THAT AGREEMENT COULD BE CONCLUDED LIMITED OFFICIAL USE

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DURING THE GERMAN PRESIDENCY. HE FEELS FROM HIS CONTACT WITH OTHER MEMBER STATES, THAT THE POLITICAL CONSIDERATIONS FAVORING AN AGREEMENT NOW RATHER THAN LATER ARE ACCEPTED BY THE MAJORITY OF PARTICIPANTS. MEEHAN

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